

### Economic Indicators

Growth in the City's General Fund revenues depends primarily on the state of the economy. When the economy is expanding rapidly, revenue growth is strong; when the economy slows, revenue growth declines. Given this relationship, key economic indicators, such as unemployment rates, housing starts and hotel occupancy rates are helpful in assessing current revenue trends, and how revenues might trend in the future. Although the City's revenues are most directly impacted by the local economy, trends in the State and national economies are also important since they affect such revenues as the Transient Occupancy Tax and Motor Vehicle License Fees.

As indicated in the following charts, the San Diego economy appeared to achieve moderate growth in Fiscal Year 2003, with nine of the fifteen indicators showing positive trends. The local economy should benefit from growth in the U.S. economy which shows increasing signs of a sustained recovery. According to a report prepared by the Los Angeles Economic Development Corporation, San Diego will continue to outperform the state as a whole and remain one of the strongest economies in the state through 2004. A continuing concern is the absence of job growth to complement the improvement in the overall economy. Most economists are projecting moderate job growth in 2004.

### Labor Market Trends

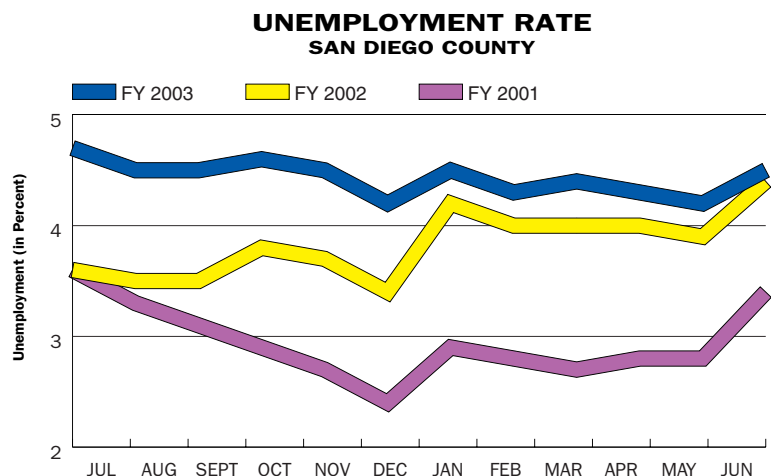
The unemployment rate is a critical indicator of relative strength in the local economy. Reflecting impacts from the recent recession and the slow pace of the current recovery, San Diego County's unemployment rate averaged 4.4 percent during Fiscal Year 2003, compared with 3.8 percent in Fiscal Year 2002. San Diego's unemployment rate is still relatively low compared with most other areas. As of July 2003, San Diego's unemployment rate was 4.5 percent, compared with 6.9 percent for California and 6.3 percent for the nation.

Nonagricultural wage and salary employment in San Diego County continued to grow during Fiscal Year 2003, albeit at a slower rate than in recent years, with average employment up by 4,600, compared with an increase of 16,100 in Fiscal Year 2002.

Manufacturing is the largest component of San Diego's economic base (approximately one-fourth of Gross Regional Product) and a catalyst for growth in other sectors of the economy. Manufacturing employment averaged 109,700 during Fiscal Year 2003, down by 6,100, following a decline of 5,800 during Fiscal Year 2002. Approximately 40 percent of the decline in manufacturing was in computer and electronic products, with aerospace and the nondurable goods sector also reporting losses.

Construction, like manufacturing, is a major source of high wage employment that supports other sectors of the economy. Construction employment continued to grow during Fiscal Year 2003, with average employment up by 1,400 over Fiscal Year 2002.

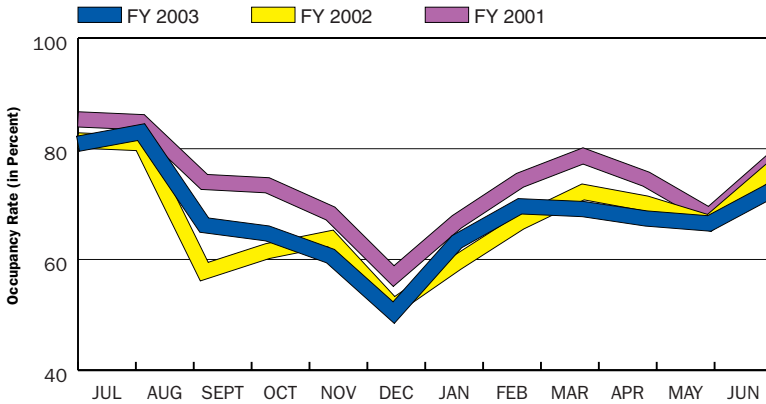
The Help Wanted Index is an indicator of the hiring plans of local employers. The Index showed signs of stabilizing during Fiscal Year 2003, with the Index down 4.6 percent, compared with a 25.1 percent drop in Fiscal Year 2002.



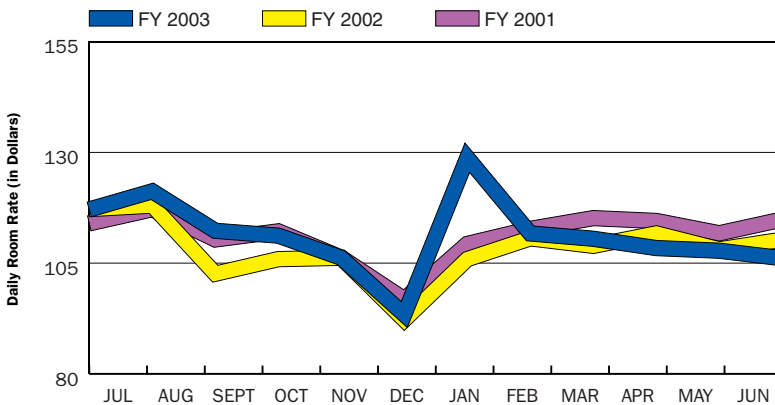
# Financial Summary

## Economic Indicators

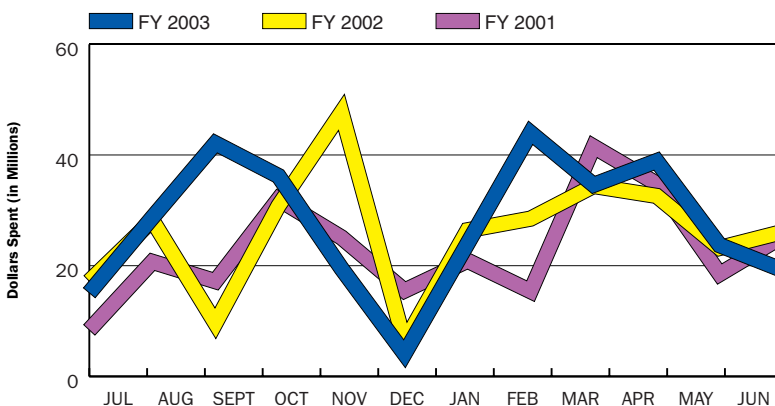
### HOTEL/MOTEL OCCUPANCY RATES SAN DIEGO COUNTY



### AVERAGE HOTEL/MOTEL DAILY ROOM RATE SAN DIEGO COUNTY



### CONVENTION SPENDING SAN DIEGO CONVENTION CENTER



## Tourism

The trend in average occupancy rates at San Diego hotels and motels is an indicator of the potential growth in Transient Occupancy Tax (TOT) revenue. Despite a difficult economic environment, the San Diego hotel market showed positive growth during Fiscal Year 2003, out-performing almost all of the nation's other major hotel markets.

During Fiscal Year 2003, San Diego's average occupancy rate was 67.9 percent, up 0.7 percent, and the third highest average occupancy rate among the top 25 hotel markets. In July 2003, San Diego's average occupancy rate of 86.1 percent led all major markets.

The average daily room rate is another determinant of TOT revenue. While most major markets saw rates drop in Fiscal Year 2003, San Diego's rates were up by 2.9 percent, the second highest increase among the top 25 markets.

The hosting of conventions is a key factor in the long-term growth of San Diego's tourism industry. Total spending by delegates increased by 6.2 percent in Fiscal Year 2003, following a very strong growth of 12.9 percent in Fiscal Year 2002.

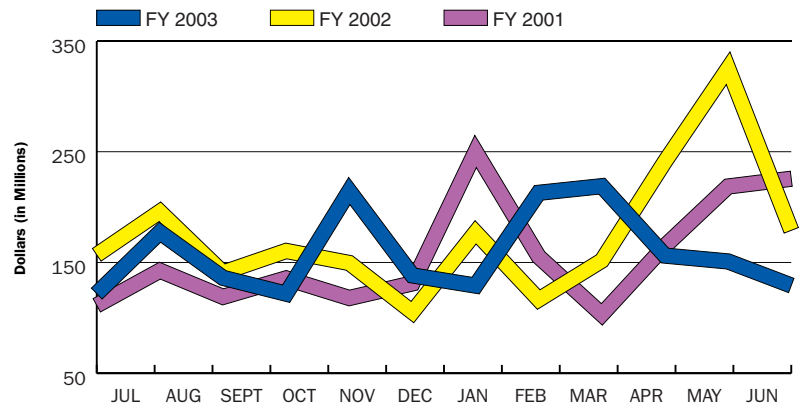
# Financial Summary

## Economic Indicators

### Construction Trends

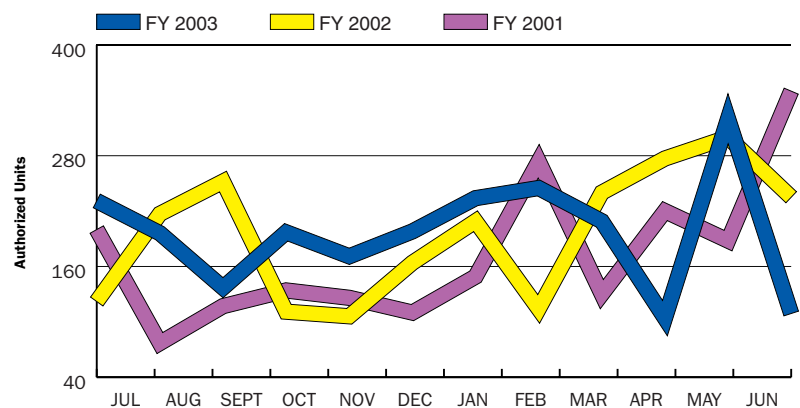
Total building permit valuation (residential and nonresidential) is an indicator of overall construction activity. Although down 9.2% from Fiscal Year 2001, construction activity maintained a relatively strong pace in Fiscal Year 2003, with a permit valuation total of approximately \$1.9 billion, the third highest total since 1989.

**BUILDING PERMIT VALUATION**  
CITY OF SAN DIEGO



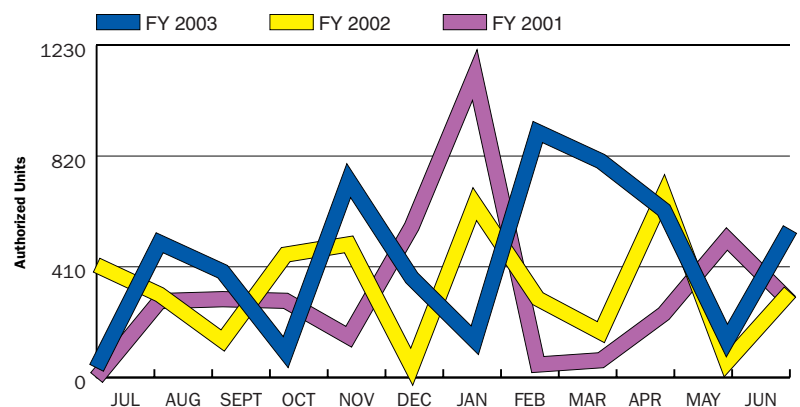
New residential construction is an indicator of trends in both the construction industry and in the overall economy. Permits were issued for 2,351 units during Fiscal Year 2003, up by a relatively flat 0.2 percent.

**SINGLE-FAMILY UNITS AUTHORIZED**  
CITY OF SAN DIEGO



The volume of new multi-family units authorized is the other major component of residential activity. Multi-family unit construction continued at a very strong pace during Fiscal Year 2003, with permits issued for 5,272 units, an increase of 31.8 percent.

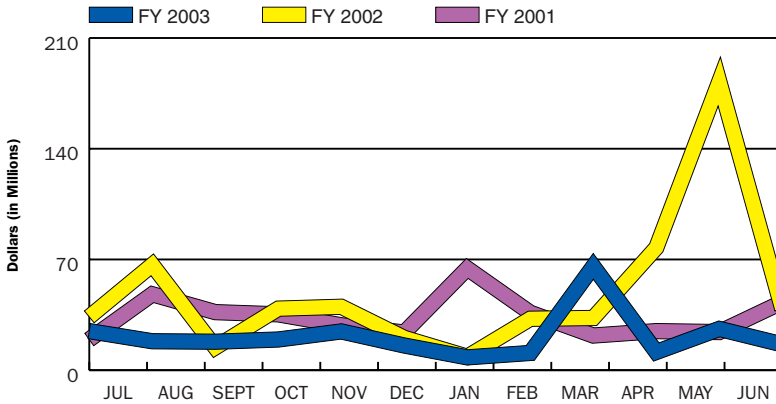
**MULTI-FAMILY UNITS AUTHORIZED**  
CITY OF SAN DIEGO



# Financial Summary

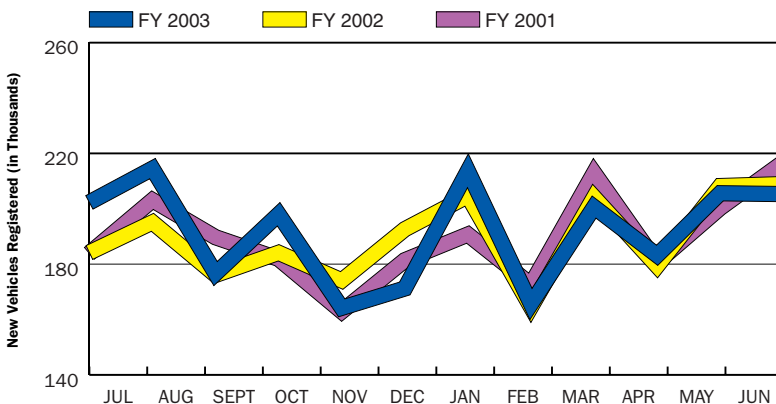
## Economic Indicators

### COMMERCIAL PERMIT VALUATION CITY OF SAN DIEGO



The total value of permits for commercial construction, including retail, office, and industrial buildings, is a key economic indicator of present and future economic conditions. With the market continuing to absorb space associated with projects that began in 2000 and 2001, the value of permits for new commercial construction in Fiscal Year 2003 was down 55.8 percent from the prior year. With the decline in new construction, it is anticipated that the market will be able to avoid overbuilding, as had occurred in the late 1980's.

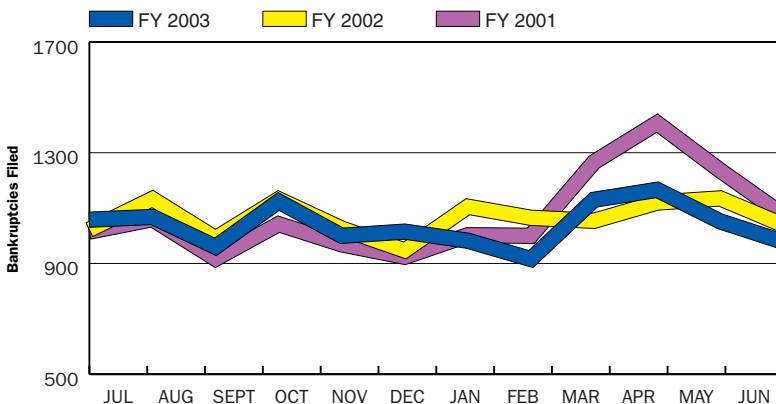
### NEW VEHICLE REGISTRATIONS STATE OF CALIFORNIA



## Other Indicators

The number of statewide new vehicle registrations is one of the factors determining the amount of Motor Vehicle License Fees (MVLFF), a major source of General Fund revenue. The volume of new vehicle registrations has remained fairly stable in recent years, up only 1.1 percent, during Fiscal Year 2003, after remaining virtually unchanged in Fiscal Year 2002.

### BANKRUPTCIES FILED SAN DIEGO AND IMPERIAL COUNTIES



Bankruptcy filings are another measure of economic well-being. The number of filings was down for the second year in a row during Fiscal Year 2003, with a decline of 2.5 percent, following a 1.1 percent decline in Fiscal Year 2002.

# Financial Summary

## Economic Indicators

The number of new business licenses issued is an indicator of general business activity. New Business Licenses issued were down 5.2 percent in Fiscal Year 2003, compared with a decline of 3.0 percent in Fiscal Year 2002.

